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Summary record of the 14th meeting
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Chair: Ms. King ..... (Saint Vincent and the Grenadines)
Vice-Chair of the Advisory Committee on Administrative and Budgetary Questions: Mr. Sene

Contents

Tribute to the memory of former President Fidel Castro of Cuba

Agenda item 134: Programme budget for the biennium 2016-2017 (*continued*)

Strategic heritage plan of the United Nations Office at Geneva

Agenda item 142: United Nations pension system

Agenda item 139: Human resources management (*continued*)

Implementation of the new common system compensation package in the United Nations Secretariat (*continued*)

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The meeting was called to order at 10.05 a.m.

Tribute to the memory of former President Fidel Castro of Cuba

1. On behalf of the Committee, **the Chair** paid tribute to the memory of former President Fidel Castro of Cuba.

2. **Mr. Sánchez Azcuy** (Cuba) expressed appreciation for the tribute paid to the memory of former President Fidel Castro.

Agenda item 134: Programme budget for the biennium 2016-2017 (*continued*)

Strategic heritage plan of the United Nations Office at Geneva (A/71/403, A/71/403/Corr.1 and A/71/622)

3. **Mr. Møller** (Director-General of the United Nations Office at Geneva), introducing the Secretary-General's third annual progress report on the strategic heritage plan of the United Nations Office at Geneva (A/71/403 and A/71/403/Corr.1) said that, since its approval by General Assembly resolution 70/248 A, the project had been proceeding smoothly within the established timeline, cost and scope. In September 2016, an interest-free loan in the amount of 400 million Swiss francs had been approved by the federal, cantonal and city parliaments of Switzerland, a testament to the host country's strong support for the project.

4. The detailed design component had been completed for phase 1, comprising the construction of the new permanent building and the renovation of existing buildings A and B1, and the tender documentation for the early construction activities for the new building was near completion, with work expected to begin on site in early 2017. Drawing on the knowledge gained from the flexible workplace strategies implemented in New York, a study on the existing space utilization and occupancy conditions at the Palais des Nations was being undertaken by independent specialists, with completion expected in the first quarter of 2017. In accordance with the lessons learned in New York, it would be essential to allow adequate time for the change management process required to implement flexible workplace strategies, while ensuring that any design changes required for the new building were decided upon before new furniture was ordered in 2018, in order to maintain compliance with the current construction schedule. Progress had also been made on ensuring the accessibility of the buildings for persons with disabilities.

5. A robust project governance mechanism, including an external advisory board comprising six regional representatives and an internal steering committee, had been established. Those bodies had held regular meetings and their recommendations had been taken into account where necessary. Independent risk management services had also been engaged, which had enabled the project team to establish contingency provisions on the basis of risk analysis, in line with the recommendations of the Board of Auditors and the lessons learned from the capital master plan.

6. With regard to financing, negotiations to finalize the formal loan agreement between the Organization and the host country were under way and were expected to be completed in time to meet the project funding requirements in 2017. The Assembly was again requested to approve one of three possible schemes of appropriation and assessment for the project (one-time up-front, multi-year, or one-time up-front appropriation with a mix of one-time and multi-year assessments); to decide on the currency of assessment (United States dollar or Swiss franc); and to establish a multi-year special account to provide the project owner with the flexibility to manage resources for the duration of the project. Updated information was also provided on how the risks to United Nations accounts held in Swiss francs posed by negative interest rates might be mitigated through cash flow management and negotiation of minimum threshold levels. Such risks would not significantly affect Member States or the Organization, however, as the United Nations Office at Geneva and its banking partners had negotiated a high minimum deposit threshold for the application of the negative rates.

7. As requested by the General Assembly, the Secretary-General was exploring alternative funding mechanisms to reduce the overall assessment on Member States. To that end, a detailed study on the valorization potential of United Nations-owned land and other assets in Geneva had been undertaken. Of the 12 parcels of land considered, 6, comprising the sites of the United Nations Training Centre, the Foundation

of the International School of Geneva and Villa La Fenêtre, the International Tennis Club and Foundation of the International School of Geneva, and Feuillantines, had been determined to have valorization potential. With a view to increasing that potential, the Assembly was requested to approve the establishment of a dedicated valorization team, to be financed from current rental income, for the period from 2017 to 2019. The relatively small, short-term investment required would supply the additional capacity and expertise needed to undertake the complex and time-consuming task of land valorization, which would potentially increase significantly the income generated for the benefit of Member States.

8. To further reduce final costs, a compendium of projects of various types, scales and costs, to be funded by donations, had been developed, and funding from private donors and institutions was being sought to cover unfunded activities. The United Nations Office at Geneva had recently received a donation from China for the transformation of the cinema room at the Palais des Nations into a multipurpose conference room, and had also received donations from Monaco and the Republic of Moldova. The Organization was also currently considering an offer made by a private Geneva-based foundation for the long-term lease of the Feuillantines plot.

9. The design and construction activities planned for the period from 2016 to 2018 included the issuance of a construction tender and appointment of contractors to perform the enabling work and construction for the new building; the completion of the detailed design and tender documentation for the renovation of the existing buildings and initiation of the activities necessary to appoint a contractor to perform the related construction work beginning in 2018; the development and realization of valorization opportunities; and initiatives to attract additional contributors. Lastly, the Assembly was requested to grant the strategic heritage plan access to the working capital fund established under financial regulation 4.2 of the Financial Regulations and Rules of the United Nations and to the proposed multi-year special account, depending on the scheme of appropriation and assessment decided upon; and to approve the establishment of an additional Procurement Officer position, to be funded within the existing budget.

10. **Mr. Sene** (Vice-Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/71/622), said that, while no amendments had been proposed to the overall project timeline, changes to the schedule for the individual project phases had been proposed. The Advisory Committee trusted that further information would be provided in that regard, including on the potential impact of the changes on the project's financing schedule.

11. Inadequate explanation had been provided for the proposed adjustments to individual costs within the overall approved budget of 836.5 million Swiss francs, in particular, for the construction of the new building, the renovation of existing buildings, escalation and project contingencies. The Secretary-General should provide further information to the Assembly in that regard and improve the presentation of such information in subsequent progress reports. Having noted that the basis for estimating project contingency amounts had been evolving from the beginning of the planning and development stages, the Advisory Committee was of the view that, as the project advanced, a consistent approach to estimating contingency amounts was required to ensure full accountability and transparency.

12. On financing, the Advisory Committee was concerned that, owing to the upward revision by 3.9 million Swiss francs in the cost estimate for the construction of the new building, the zero-interest loan approved by the host country for the construction and renovation phases did not cover the full cost of construction. Every effort must be made, through the project governance mechanisms, to avoid slippage in the project schedule, cost overruns and the need for additional funding. The Board of Auditors must also provide reasonable assurance to Member States that the resources allocated were being utilized in the best interest of the Organization. Lastly, the Advisory Committee recommended against the establishment of a dedicated land valorization team, recommending instead the use of expert consultancy services for that purpose.

13. **Ms. Wairatpanij** (Thailand), speaking on behalf of the Group of 77 and China, underscored the need for improvements to United Nations facilities, including at the United Nations Office at Geneva, in order to

enhance safety, health, comfort, accessibility, adaptability and modernization. She welcomed the continued cooperation between the Secretary-General, the host country and other stakeholders in Geneva in ensuring the successful implementation of the strategic heritage plan.

14. She noted the updated information on project governance provided by the Secretary-General and the related comments of the Advisory Committee, including the roles and responsibilities of the steering committee and advisory board; a stronger project governance mechanism would ensure the project's implementation within the approved timeline and budget, as established in General Assembly resolution 70/248 A. While progress had been made with the completion of the detailed design component for phase 1 and preliminary measures to eliminate barriers for persons with disabilities, there was still no optimal plan for outdoor accessibility. The Group was concerned at the potential impact on the project cost and schedule of the 10-month increase in the overall duration of the new building work, owing to the further development of the technical design and more extensive site preparation requirements, and would seek further information in that regard. In addition, the Board of Auditors should provide continuous assurance to Member States regarding the soundness of the governance framework, internal controls and management practices and the utilization of resources in line with stated objectives. Bearing in mind the Board's views on cost estimates for large capital projects, the Group would seek clarification regarding the proposed adjustments to the project cost plan.

15. With respect to the contingency fund, the Group reiterated its position as contained in General Assembly resolution 70/248 A that unused funds might be carried over to subsequent years and that all remaining unused funds should be returned to Member States at the conclusion of the project. In the informal consultations, the Group would seek further information on the utilization of the contingency fund and future estimates in order to avoid risks.

16. She welcomed the loan approved by the host country to finance the project and noted the details provided by the Secretary-General with regard to alternative funding mechanisms, including valorization of United Nations-owned land, donations, potential future income and energy-related subsidies and incentives. In addition, the Group appreciated the earmarked donations received and trusted that the Secretary-General would continue to encourage voluntary contributions in compliance with the relevant rules and regulations. He should also work to prevent negative interest rates from being applied to the Organization's currency holdings in order to avoid potential losses. Lastly, drawing on lessons learned from other capital projects, efforts must be made to avoid cost overruns and monitor progress on a continuous basis to ensure the project's completion within the established timeline and budget.

17. **Ms. Grant** (Observer for the European Union), speaking also on behalf of Albania, Montenegro, Serbia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Georgia and the Republic of Moldova, said that the strategic heritage plan was a landmark project that would render the Geneva campus more fit for purpose and provide an enhanced, safer working environment for staff, while offering an opportunity to apply lessons learned from recent construction projects. She welcomed the progress made in the initial phases of the project, as well as its implementation in line with agreed objectives and the overall schedule and costs.

18. Given the project's complexity and scale, robust governance would be critical. Noting the slippage in the project schedule, she underscored the need for effective monitoring of progress by the steering committee and the Board of Auditors, alongside independent risk management. The European Union welcomed the efforts undertaken to promote accessibility for persons with disabilities, as well as the plan to initiate a pilot programme for flexible workplace strategies in Geneva, with a view to enhancing space utilization and improving the working environment for staff.

19. On financing, her delegation thanked the Government of Switzerland for approving the loan package and looked forward to discussing the funding options proposed by the Secretariat, including the establishment of a dedicated project account, as well as the related options for the currency of appropriation and assessment. Final decisions must be reached on those issues during the current session to avoid

difficulties that could be prejudicial to the construction work and project management. It was important to identify opportunities for land valorization in Geneva, a task that required distinct expertise, and to apply the related financial benefits directly to reducing assessments for the project. At the same time, the Assembly's decisions should be guided by the need to preserve the Organization's long-term interests in relation to real estate values in Geneva; she was confident that solutions could be found that would balance those imperatives.

20. **Ms. Norman Chalet** (United States of America) said that the strategic heritage plan should be well managed and implemented in line with the guidance provided by the General Assembly, including on flexible workplace, and within the established schedule and budget. She looked forward to the discussions on various aspects of the project, particularly financing, which had been deferred from the previous session owing to the need for more options to reduce the initial burden on Member States and subsequent assessments.

21. While the Secretary-General's efforts to explore alternative financing options, including the land valorization study, were commendable, she was disappointed by the limited information provided on the study's findings and conclusions and requested further information on the estimated proceeds from the sale and lease of the various properties, reiterating that any revenue gained from those activities should be applied to the costs of the project. She thanked the Government of Switzerland for its interest-free loan, which would relieve some of the burden on Member States but must nevertheless be repaid primarily using Member State assessments. She also welcomed the information provided on donations and rental income and looked forward to receiving updates on the net gain from those income streams. Lastly, she requested further information on efforts to incorporate flexible workplace strategies in the design and construction work at the Palais des Nations and other buildings on the Geneva campus, underscoring the need to increase the flexibility and capacity of the workplace at the Palais while preserving the building's historic features.

22. **Mr. Lauber** (Switzerland) recalled that, in 2015, the General Assembly had approved the project scope and schedule, and an estimated maximum cost of 836.5 million Swiss francs, thereby authorizing the commencement of renovation and construction. He welcomed the progress made in that regard and encouraged the Secretary-General to ensure that the project remained on track, while noting with satisfaction the agreement reached between the United Nations Office at Geneva and its banking partner, which had resolved the issue of negative interest rates.

23. The strategic heritage plan was an investment in the future of the United Nations that would enable the Organization to fulfil its mandates in a more effective and efficient manner. The renovation of the Palais des Nations would yield substantial annual savings for the benefit of the Organization and its Member States, notably by reducing maintenance and electricity expenses, eliminating costs and creating a more modern and efficient workplace. Alternative funding sources, including the loan approved by his Government and income from land valorization, would further reduce costs. The project would also provide a modern, attractive and safe environment for staff, delegates and visitors at the Palais by improving outdated infrastructure and removing barriers for persons with disabilities.

24. Drawing on the lessons learned from the capital master plan, the Assembly should agree upon the financing modalities for the project at its current session in order to avoid incurring delays and additional expenditures and discouraging staff, partners, contractors, and potential investors and donors.

Agenda item 142: United Nations pension system
(A/71/5/Add.16, A/71/9, A/71/397 and A/71/621; A/C.5/71/2)

25. **Ms. Boykin** (Representative of the Secretary-General for the Investment of the Assets of the United Nations Joint Staff Pension Fund), introducing the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund and measures undertaken to increase the diversification of the Fund (A/C.5/71/2), said that, in 2014 and 2015, the Fund had fallen short of its investment performance target of a 3.5 per cent real rate of return and was making encouraging progress toward that target in 2016. As at 25 November 2016, the Fund's year-to-date nominal return had been 3.82 per cent. The nominal return was equal to the real rate of return plus inflation, as measured by the United States consumer price

index. With the current inflation rate equal to approximately 2 per cent per annum, the nominal return target for 2016 was approximately 5.5 per cent, more conservative than the 7.5 per cent target for the average large United States public pension fund, as reported in the 2016 Milliman Public Pension Funding Study. While the 3.5 per cent return target was not met every year, the Fund had achieved the target historically, as reflected in its funding status of 100.9 per cent as at 31 December 2015, higher than the 69.8 per cent aggregate funded ratio of the average large United States public pension fund as at 30 June 2016, as reported in the Milliman study, making it one of the best pension plans in the world.

26. The nominal return was compared against the policy benchmark, a near-term indicator of the Fund's success. A study of the Fund's nominal returns over the previous 22 years had revealed that, while it had outperformed the policy benchmark by 10 basis points in 2015, it had fallen short of the benchmark in 2015 and was also falling short in 2016, as the market cycle in the first three quarters of 2016 had favoured passive portfolio management over the Fund's active management strategy. In that connection, the Fund had conducted an additional study in 2016 that had confirmed that its performance was in line with that of other actively managed funds, and there were early indications of a possible upcoming shift to a new cycle favouring active strategies. In addition, as the total market value of the Fund's assets had stood at $53.89 billion as at 25 November 2016, approximately $1 billion more than the value recorded at 31 December 2014, it was currently exceeding its goal of capital preservation.

27. Following the completion of the asset liability modelling study on 1 August 2015, the policy benchmark had been updated to reflect the new target weightings for each asset class. The Fund's Investment Policy Statement had been amended in 2015 to reflect the new asset allocation policy and had been subsequently updated in 2016. As 90 per cent of a pension plan's returns were typically attributed to its asset allocation policy, the Fund was staying within close range of its target weightings.

28. During the biennium 2014-2015, the Fund had increased its allocations to developing countries in line with its four main criteria for investment. It had also improved its profile in the area of environmental, social and governance investing, with an emphasis on climate change, having received a ranking of "A" from Principles for Responsible Investment and the Asset Owners Disclosure Project for 2015.

29. In accordance with resolution 70/248, the Fund had implemented an investment-specific anti-fraud and anti-corruption policy applicable to all Investment Management Division staff. The policy would supplement the Secretariat's Anti-Fraud and Anti-Corruption Framework (ST/IC/2016/25) and General Assembly resolutions against fraud and corruption, as well as the United Nations Convention against Corruption.

30. Following the recent resignation of a member of the Investments Committee, efforts were under way to identify a suitable replacement, as well as additional Committee members, with an emphasis on geographic diversity and gender balance. Lastly, underscoring her fiduciary duty to act in the best interests of the Fund's participants and beneficiaries while safeguarding its assets, she said that, despite predictions of market volatility in the near future, the Fund was well positioned and the current 3.5 per cent return target remained an appropriate objective.

31. **Mr. Mkumba** (Chair of the Audit Operations Committee of the Board of Auditors), introducing the report of the Board of Auditors on the financial report and audited financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2015 (A/71/5/Add.16), said that the Board of Auditors had issued an unqualified opinion on the financial statements of the Fund for the year ended 31 December 2015, which presented fairly the Fund's financial position and financial performance and cash flows for 2015, in accordance with the International Public Sector Accounting Standards (IPSAS). The Fund was in a position to meet its obligations; however, the decrease in its returns in the preceding two years had adversely affected its short-term performance and could hinder the achievement of the long-term objective of ensuring that it was fully funded. As at 31 December 2015, the net assets available for benefits had been $52 billion. The total income in 2015 had been $1.81 billion and the total expenses had been $2.42 billion, which represented a

decrease of $617 million in the net assets in 2015, compared to an increase of $1.41 billion in 2014.

32. Senior posts, including those of Director of the Investment Management Division, Deputy Director for Investments, Deputy Director for Risk and Compliance and Chief Operating Officer, had been vacant in 2015. Long-standing senior vacancies adversely affected the performance and investment strategy of the Fund, resulted in the centralization of responsibility and the overburdening of professional staff, and could compromise the segregation of duties and reduce efficiency, particularly because the posts in question were essential to decision-making. To manage the investment assets of the Fund, a well-defined succession plan should be implemented to ensure that vacancies were filled promptly. The inflation-adjusted real rate of return on investment in 2015 had been -1.7 per cent, compared to 2.4 per cent in 2014, and the Fund had therefore failed in both years to achieve the long-term objective of a 3.5 per cent annualized rate, as adjusted by the United States consumer price index. Investment income had fallen by $5.26 billion in 2014 and $2.12 billion in 2015. It was evident that open exposure to foreign exchange volatility could reduce investment returns and even result in capital erosion. The large foreign exchange losses of the Fund — $1.49 billion in 2015 and $1.96 billion in 2014 — had contributed to the net investment loss of $458.26 million in 2015. The Board recommended that the Fund should address the foreign exchange exposure issue and mitigate foreign currency losses. Guidelines on the selection and evaluation of external fund managers had not been finalized since the 2011 decision to treat such selection as an investment decision rather than a procurement exercise. In the absence of guidelines, the Fund might have to renew the contracts with the existing fund managers and thereby miss the opportunity to hire better external managers with more favourable terms and conditions.

33. The Fund had not migrated all of its data to the new Integrated Pension Administration System or developed key performance indicators to assess the accuracy and timeliness of processing in the System. Although most client queries received in 2014 and 2015 had been processed, the Fund had no data regarding how many had been resolved and did not segregate general queries and complaints. To ensure that clients were satisfied, the Fund must put in place a robust system to address client queries and complaints. The Board had checked the time taken to process benefits for the 98 cases of death in service and a sample of 4,413 retirements and withdrawals processed by the Integrated Pension Administration System after receipt of the mandatory documents. Only 14 per cent of the death-in-service cases had been processed within the target time of 15 days, whereas 85 per cent had been processed with delays of between 16 days and more than one year. Of the sample of retirements and withdrawals, only 8 per cent had been processed within the 15-day target time, whereas 91 per cent had been processed with delays of between 16 days and more than one year. Delays had occurred in the submission of separation documents by member organizations, and the Board recommended that the Fund should collaborate with those organizations to ensure timely receipt of cases and documents.

34. Of the 12 outstanding recommendations of the Board as at 31 December 2014, only 3 (25 per cent) had been fully implemented, while 7 (58.33 per cent) were under implementation and 2 (16.67 per cent) had not been implemented. The Fund had accepted all 17 of the recommendations made by the Board in its current report.

35. **Mr. Dooley** (Deputy Secretary of the United Nations Joint Staff Pension Board), introducing the report of the United Nations Joint Staff Pension Board on the implementation of the recommendations of the Board of Auditors contained in its report for the year ended 31 December 2015 on the United Nations Joint Staff Pension Fund (A/71/397), said that the report contained information further to the comments submitted by the Pension Board to the Board of Auditors and included in the Board of Auditors' final report on the Fund; information regarding the status of implementation of the Board of Auditors' recommendations and the priority given to each recommendation; and an update on those of the Board of Auditors' recommendations relating to previous periods that the Board considered not to have been fully implemented. The unqualified audit opinion of the Board of Auditors on the Fund's financial statements for the year ending 31 December 2015 was the fourth consecutive such opinion since the introduction of IPSAS. The Fund was implementing the 17 recommendations of the Board of Auditors for

2015. An independent assessment presented to the Pension Board by an external consultant in July 2016 had concluded that the Integrated Pension Administration System, which covered 72,000 beneficiaries in 190 countries, was fully functioning, complete, accurate and consistent, had significantly reduced operational and information technology-related risks, and would improve communications with the Fund's 23 member organizations and access to information and online services for participants and retirees.

36. Since the beginning of 2016, the number of new separation cases had increased sharply because of the downsizing of peacekeeping operations and more timely submission of documentation by reporting entities. The Pension Board recognized the adverse effect on new retirees of the delayed payment of benefits, which had many causes, and supported the Fund's efforts to improve case processing and client services and communications, which would address the Board of Auditors' concerns. The Advisory Committee, in its related report (A/71/621), had supported the measures intended to ensure timely processing of benefits. The Pension Board had decided to approve additional resources for the biennium 2016-2017 for the establishment of 20 temporary assistance positions to address the surge in the number of cases, manage the proposed end-to-end review of the first phase of the benefit payment process and strengthen the Fund's communications and public information activities. The number of cases received by the Fund in 2016 was expected to exceed the number received in 2014 by 42 per cent, and the increase was projected to continue in the coming years. To process the additional 4,000 cases received in 2016, the Pension Board supported the Fund's proposal to establish a task force to process withdrawal settlements, and teams to address quality assurance and survivors' and disability benefits. It had strengthened reporting, improved its website, implemented a pilot client services call centre, provided in situ support to missions in Africa, conducted a joint end-to-end review of the separation-to-benefit process with member organizations and introduced the option of advance payments to new retirees when the time taken to establish their benefit was longer than three months after the Fund had received the required documents. The Fund was strengthening its governance and operations in line with its mandates from the Pension Board and the General Assembly. The Assembly, in addition to providing guidance and approving the goals and strategies of the Pension Board, should also provide the Fund with adequate resources to fulfil its mandate and implement its governing bodies' decisions and the recommendations of the Board of Auditors.

37. **Mr. Sene** (Vice-Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/71/621), said that the Advisory Committee expected the Fund's proposals, which included the conduct of an end-to-end review of benefit payment processes and the establishment of a network of focal points in the member organizations, to produce measurable results and rapid solutions to the problems identified by the Board of Auditors, which had delayed the payment of benefits. With regard to the Pension Board's proposal to establish 20 temporary positions to manage the increase in separation cases that had resulted from the downsizing of peacekeeping missions in 2015 and 2016, the increase could have been anticipated and the establishment of 9 temporary positions should be sufficient to address the additional workload. The Committee recommended against the establishment of two P-5 positions of Senior Communication Officer and Senior Management Analyst, for which insufficient justification had been presented. Further information regarding the implications of the proposal for the Fund to make a provisional payment when the processing of benefits was delayed should be transmitted to the General Assembly as soon as possible so that it could make an informed decision on the matter.

38. Efforts must be made to meet the long-term objective of an annualized real rate of return of 3.5 per cent on the Fund's investments, which had been missed in 2015 because of foreign exchange losses that had resulted from the strengthening of the dollar against other currencies. The Advisory Committee welcomed efforts to diversify the investments taking into account the criteria of safety, profitability, liquidity and convertibility. It reiterated its concerns regarding the high number of vacant posts in the Investment Management Division and urged the Fund to fill all vacant posts expeditiously.

39. **Ms. Wairatpanij** (Thailand), speaking on behalf of the Group of 77 and China, said that during the biennium ended 31 December 2015 the number of active participants in the Fund had increased by 5.5 per cent, to 126,892, and the number of retired participants and beneficiaries had increased by 2.1 per cent, to 71,474. Urgent measures must be taken to address the causes of delays in benefit payment, including through information technology. The intergovernmental bodies of participating organizations must ensure that claims were submitted and processed on time and that managers were held accountable if they contributed to delays. With regard to the request for 20 temporary positions, the Group would study the details of each proposal and the justification for the staffing requirement. It looked forward to receiving additional information on the amendments to the Fund's Regulations related to medical matters, including the best practice of similar pension funds, the planned implementation mechanisms and the expected benefits for the operations of the Fund.

40. The actuarial valuation as at 31 December 2015 had resulted in a surplus of 0.16 per cent, partly as a result of the General Assembly's decision, in resolution 67/257, to change the normal retirement age from 62 to 65 for new staff as of 1 January 2014. The Group noted the successful implementation of the Integrated Pension Administration System and encouraged efforts to address the remaining challenges as a matter of priority, taking into account the observations and recommendations of the Advisory Committee and the Board of Auditors. Although the General Assembly, in its resolution 68/247 B, had requested the Secretary-General, in future reports on the investments of the Fund, to provide information on the performance of his representative in discharging his or her responsibilities, the latest such report (A/C.5/71/2) did not include that information. The Group would seek information on the matter, including the arrangements to evaluate the representative. It noted the information related to the evaluation of the Chief Executive Officer, and looked forward to benefiting from the work of the Evaluation Panel.

41. The decrease in the rate of return on the Fund's investments and in investment income in 2014 and 2015 had adversely affected the Fund's performance and could prevent it from being fully funded. Given that, in its resolution 70/248, the General Assembly had requested the Secretary-General to make every effort to improve the Fund's investment performance, the Group requested further information regarding the steps taken to address the underperformance of the Fund and the failure to meet the long-term target of an annualized real rate of return of 3.5 per cent. The Group would seek explanations regarding the failure to fill the posts of Director of the Investment Management Division, Deputy Director for Investments, Deputy Director for Risk and Compliance and Chief Operating Officer, which had resulted in a managerial vacuum and could have contributed to the poor performance of the Fund's investments, and would seek to establish who was accountable. It would request detailed information regarding the planned diversification of the Fund's investments among developing countries and countries with economies in transition, taking into account the criteria of safety, profitability, liquidity and convertibility under volatile market conditions.

42. The separate presentation to the General Assembly of the report of the Board of Auditors on the financial statements of the Fund for 2016 would help the Assembly assume its oversight responsibilities. The Fund should implement the Board's recommendations, particularly those related to the management of human resources, investments and benefit payments, in a timely manner, and should apply the anti-fraud and anti-corruption policy, taking into account the Board's observations and recommendations. The internal oversight of the Fund, which should be strengthened, must be provided by the Office for Internal Oversight Services rather than a new entity or external consultants.

43. **Ms. Pilleri** (Observer for the European Union) said that the Fund should mitigate the impact on retirees of delays in the payment of pension benefits, which resulted from problems in the submission of documentation by member organizations and the processing of applications, and should prevent the situation from recurring by improving business processes and forward planning. Her delegation noted the Advisory Committee's recommendations, particularly in relation to the end-to-end review, and urged the General Assembly to prevent further retirees from being affected. The Fund's principal duty was to ensure that sufficient assets were available to provide retirement and other benefits for the staff of the United Nations and other member organizations, but in 2014 and 2015 it had failed to achieve a 3.5 per cent

annualized real rate of return and its investment income had decreased. Her delegation would seek information regarding the ways in which the Secretary-General would meet his fiduciary duty to Fund participants, including by ensuring that vacancies in the Investment Management Division were filled in a timely manner.

44. **Ms. Norman Chalet** (United States of America) said that the Pension Fund was essential to United Nations system staff members and their families. A well-functioning Fund with robust accountability and transparency measures was also important to the Member States, and the Fund's governance structure, including the Pension Board and the Investments Committee, was therefore essential. Her delegation thanked the Investments Committee for its advice on investments and welcomed the report of the Pension Board (A/71/397). The actuarial surplus of the Fund, which resulted from the increase of the retirement age to 65, was particularly encouraging compared to the deficit found in the previous actuarial valuation. Her delegation noted the efforts to achieve an annualized real rate of return of 3.5 per cent; the principles governing the investment of the Fund's assets should be applied and high-level management vacancies should be expeditiously filled.

45. The Fund should devote sustained attention to the backlog in the payment of entitlements and pensions, which had a significant financial impact on retired staff and their families. She requested further information regarding the implications of the proposed provisional payment of benefits, and looked forward to the results of the review of the matter by the Office of Internal Oversight Services and the end-to-end review. The Fund should incorporate the lessons learned from the reviews to anticipate substantial increases in the number of claims and process them in a timely manner. Her delegation was encouraged by the steps taken by the Fund to implement the recommendations of the Board of Auditors. The Fund should regularly monitor investment risk management and review underperforming securities, establish a client query and complaint redressal system, and monitor the quality of its customer service.

Agenda item 139: Human resources management (*continued*)

Implementation of the new common system compensation package in the United Nations Secretariat (continued) (A/C.5/71/L.5)

Draft resolution A/C.5/71/L.5: Implementation of the new common system compensation package in the United Nations Secretariat

46. *Draft resolution A/C.5/71/L.5 was adopted.*

The meeting rose at 11.40 a.m.